

Preliminary  
DRAFT  
One Year Action Plan

FY 2006

Massachusetts  
Community Development Block Grant Program

November 2005



Commonwealth of Massachusetts

Mitt Romney, Governor  
Kerry Healey, Lt. Governor

Department of Housing and Community Development  
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## FY 2006 Draft One Year Action Plan - Preface

The U.S. Department of Housing and Urban Development (HUD) requires the Commonwealth of Massachusetts, and all other Formula Grantees, to prepare a Five Year Consolidated Plan. The state's Consolidated Plan sets forth long term priorities for the use of funds received from HUD's Community Development Block Grant (CDBG), HOME, Emergency Shelter Grant (ESG), Housing Opportunities for People with AIDS (HOPWA), and American Dream Downpayment Initiative (ADDI) programs, and from other state and federal sources.

The preparation of this One Year Action Plan has considered and been informed by the previous development of the FY 2005-2009 Five-Year Consolidated Plan and the 2006 Annual Update. Publication of the draft Massachusetts CDBG One-Year Action Plan takes place in advance of the Five Year Consolidated Plan/Annual Update public participation schedule that incorporates the HOME, ESG, HOPWA and ADDI programs. DHCD held informational sessions on CDBG program design changes considered for FY 2006 (the Draft CDBG One Year Action Plan) in November 2005, and will hold formal public hearings on the overall Annual Update of the FY 2005-2009 Consolidated Plan, including the One Year Action Plan in early 2006.

DHCD encourages communities to approach CDBG projects in a comprehensive and integrated manner and encourages communities to target their CDBG funds to particular geographic areas in order to impact and effect change within neighborhoods. This approach is in line with HUD's recent emphasis on coordinating funding and enhancing communities' ability to engage in comprehensive revitalization strategies. DHCD is seeking to assess the impact of CDBG investment in distressed areas through the focused targeting of financial and technical assistance resources. DHCD is encouraging communities in their planning processes to think comprehensively about community development – to consider planning and implementing projects that promote compact development, expand housing opportunities, and demonstrate measurable change in an area.

DHCD's intent is to provide for a number of activities that concentrate investments making measurable improvements in distressed neighborhoods. Comprehensive approaches to meeting the needs of these areas should be designed to improve the physical, social and economic conditions of low- and moderate- income families and neighborhoods.

Communities are encouraged to submit applications that include activities that are integrated with one another and targeted to a particular neighborhood or geographic area. For example, we are seeking applications that include a housing rehabilitation program that is targeted to a particular area, an infrastructure or playground improvement project to be undertaken in that same area, and perhaps also social service programs that will serve the residents of that same area. DHCD acknowledges that establishing such a program entails comprehensive planning and envisions that the Community Development Strategy will serve to inform this process.

### Highlights/Clarifications/Proposed Changes in Draft FY 2006 One-Year Plan

#### PROPOSED CHANGES

- DHCD intends to offer an on-line, web-based application process for FY 2006, in conjunction with a new, web-based grants management system. Further details and training information will be available as application materials and details are released.
- The Community Development Strategy will be evaluated to determine adequacy – those CD strategies that do not meet the following 3 criteria will not meet the threshold and the application will not be scored: the CD Strategy must describe the community's approach to a variety of projects and activities which include, but are not limited to, the subject of the CDBG application; the CD Strategy must conclude with a list of projects and activities in order of the priority in which the community intends to

undertake to address its community development needs; and the community must submit evidence that the CD Strategy was discussed at a public forum, meeting or hearing and that the priority list was presented and specifically discussed.

- The value of the Community Wide Needs Scores will increase from 25 points to 35 points. CWN scores have been updated with the most recent data (Unemployment Rate and Levy per Capita as a Percent of Per Capita Income). A community is eligible to apply to CDF 1 if its CWN score is equal to or greater than 25; for CDF 2, a community's CWN score must be equal to or less than 24.
- The maximum grant award for a single community is \$800,000; for two or three communities the maximum grant award is \$1,000,000; and for four or more communities, the maximum grant award is \$1,200,000.
- Regional activities that meet all thresholds, including a minimum project score, will receive five (5) bonus points.

Each community in a regional application must comply with the same requirements as individual communities in individual applications, in order to participate in a regional grant. Communities that fail to comply with any requirement will be dropped from consideration as a regional participant and the application will be reviewed on the basis of those communities that have complied with the requirements. As a result, the number of participating communities and/or the dollar amount requested in a regional application may be reduced during the review process.

All activities in a regional application must involve more than one community; communities may not undertake individual activities in a regional application. An application will not be considered a regional application if the only activity (or activities) proposed to take place in more than one of the applicant communities is public social services.

- Applications may receive five (5) bonus points when activities are targeted to a geographic area. Applicants will demonstrate this through an additional narrative listing the CDBG-funded activities, the target area and anticipated measurable improvements that will result. Communities with populations under 5,000 may define their entire community as a target area.
- Five additional points are available to applicants proposing multiple activities in a target area and that demonstrate that the activities are coordinated and integrated. A minimum of at least two activities must be fundable, except that public social services cannot be counted as one of the two required activities. An additional five (5) points will also be awarded if an applicant demonstrates that non CDBG-funded activities, consistent with the community's Community Development Strategy and complementary to the requested CDBG activities, are also targeted to the same geographic area and will also result in measurable improvements.
- In order to apply for CDBG funding, a community must demonstrate, using the last quarterly report due prior to the application date, or the most recent monthly financial status report, that as of the application due date it has no more than \$400,000 in unexpended CDBG program funds for all active grants awarded prior to July 31, 2004. DHCD no longer accepts waiver requests for the timely expenditure threshold. Furthermore, unexpended CDBG funds are defined as funds awarded for eligible Massachusetts CDBG program costs but not expended.
- The feasibility of applications will now be scored, in part, based on the completeness of environmental review prior to application submission.

- Mini-Entitlements will be required to approach CDBG projects in a coordinated and integrated manner and to target their CDBG funds to particular geographic areas in order to impact and effect change within neighborhoods and to serve an identified neighborhood or target area.

In addition to meeting threshold requirements (including threshold consistency with the Sustainable Development Principles), projects in a Mini-Entitlement application must receive 33 points in a scored application packet in order to be funded. Projects that do not meet all thresholds and do not receive 33 points when scored will not be funded and the community's Mini-Entitlement award will be reduced accordingly.

- For FY 2006, DHCD will implement HUD's Outcome Performance Measurement System. The proposed system incorporates the following three Objectives set forth in the Housing and Community Development Act of 1974: 1) create suitable living environments, 2) provide decent housing, and 3) create economic opportunities. The system directs applicants/grantees to select an Objective coupled with one of the following three Outcomes to help define the intent of the activity: 1) availability/accessibility, 2) affordability, and 3) sustainability - promoting livable or viable communities.
- Public Social services may equal up to 30% of a grant if 50% of the funds support services that are designed to build economic security and self sufficiency.
- Communities applying to HDSP are required to submit an FY2006 Commonwealth Capital Application to the Office for Commonwealth Development no later than the HDSP application due date.
- Communities applying to EDF are required to submit an FY2006 Commonwealth Capital Application to the Office for Commonwealth Development no later than when the EDF application is submitted.

#### CONTINUING REQUIREMENTS

- All projects must be consistent with the sustainable development principles listed in Exhibit 5. Guidance on this threshold may be found in Exhibit 6. This threshold does not apply to Public Social Services, non-development Microenterprise Assistance activities or projects that eliminate a public health or safety risk (e.g., demolition of a blighted structure).
- Housing rehabilitation programs and public facilities projects are required to use Energy Star building performance standards in FY 2006. Those standards are found at [www.energystar.gov](http://www.energystar.gov). Streetlights installed as part of a road or streetscape improvement project must be "full cut-off" or "semi cut-off" fixtures.
- DHCD requires bid-ready plans and specifications for all public facilities and architectural barrier removal projects of \$100,000 or more. Design development drawings are required for public facilities and architectural barrier removal projects with a total project cost of more than \$25,000 but less than \$100,000.

In addition, DHCD recognizes that this requirement may be problematic for communities considering modular construction projects. Therefore, to satisfy the concerns above, in order to apply for assistance to undertake modular construction, a community must provide DHCD with a reasonable cost estimate for the project. Total costs for modular construction projects must include the cost of site preparation, off-site construction of the modular unit, and the cost of delivering and assembling the modular unit including all work necessary - including but not limited to all utility work and sub-trades - to result in the issuance of an occupancy permit. To accomplish this, the community must provide the following: the program for the building; plans, specs, and prices of comparable unit(s) from the manufacturer; evidence of the manufacturer's ability to deliver the unit during the timeframe for construction identified in the grant application and a site plan.

- Communities seeking CDBG funds for senior center projects must request elderly low- and moderate-income household data from DHCD prior to submitting an application. Please contact Karen Bresnahan of the Policy and Planning Unit at (617) 573-1441 or [Karen.Bresnahan@ocd.state.ma.us](mailto:Karen.Bresnahan@ocd.state.ma.us) to request this information.
  - Most economic development activities will apply under the Economic Development Fund (EDF). The range of economic development activities that may apply to EDF include those eligible under HCDA Sections 105 (a)(17) and (a)(22), Assistance to For-Profits and Microenterprise Assistance, respectively. In limited circumstances (i.e., when related to economic development projects leading to job creation or retention), applications will be accepted for other eligible activities identified in HCDA Section 105 (a), especially Sections 105 (a)(1), (a)(2), (a)(12), (a)(14), a(15) and (a)(19). Additionally, EDF will accept applications for Public Social Services activities supporting community economic development programs eligible under HCDA Section 105 (a)(15), provided they are specifically designed to increase economic opportunities through job training and placement, and other employment services including, but not limited to, peer support programs, counseling, child care, transportation, and other similar services. Public Social Services activities under Section 105 (a)(15) are subject to Public Benefit rules.
- CDF and Mini-Entitlement applications may still include certain economic development-related activities, including Public Social Services activities that support economic development and downtown/commercial target area related projects and activities, which include facade/sign programs and/or streetscape improvements. Applications for downtown/commercial target area related projects and activities will not be accepted in the EDF.
- Notice of intent to apply to CDF I and CDF II will be required, due 14 days before the application deadline. Information included in the notice can be amended up until the application deadline. The notice will be used by DHCD for informational and planning purposes only.
  - In HDSP, projects other than SROs that include at least one (1) affordable three-bedroom unit, with no other unit smaller than one bedroom, will receive additional scoring consideration.

Application due dates are proposed as follows:

CDF:                                      Due: Wednesday, March 1, 2006  
     Notice of Intent due: Wednesday, February 15, 2006

Mini-Entitlement:                      Due: Wednesday, March 1, 2006

HDSP:                      Round 1 Notice of Intent due September 29, 2005, application due November 17, 2005  
    Round 2 Notice of Intent due February 23, 2006, application due April 13, 2006

All program components in the Economic Development Fund have rolling applications.

<p style="text-align: center;"><b>MASSACHUSETTS CDBG</b> <b>DRAFT ONE-YEAR ACTION PLAN FOR FEDERAL FISCAL YEAR 2006</b></p>
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***INTRODUCTION:***

This Draft One Year Action Plan describes the proposed use of Community Development Block Grant (CDBG) funding received by the Commonwealth of Massachusetts. The CDBG Program is a significant source of federal funding administered by the Department of Housing and Community Development, supporting a variety of community development efforts to revitalize our communities, meet the housing and service needs of our low and moderate-income population, build and repair infrastructure vital to the health and safety of residents, and support business development and retention. The One Year Plan addresses the basic features of the state's CDBG program, the applicable federal regulations and requirements governing state and local administration of this program, and the state's policies, administration responsibilities, and description of the program components.

In its administration of CDBG funding, DHCD is committed to:

- Programs and funding that primarily target populations of low- and moderate-incomes, and those with special needs, in communities with the greatest level of demonstrated need;
- Coordinated, integrated and balanced agency responses to address the needs and interests of communities;
- Programs and technical assistance designed to facilitate informed decision-making about community development opportunities at the local level, and to encourage self-sufficiency of residents and communities;
- Projects that are consistent with the Commonwealth's Sustainable Development Principles; and
- Sound business practices that ensure the highest standards of public accountability and responsibility.

For FY 2006, DHCD will implement HUD's Outcome Performance Measurement System. The proposed system incorporates the following three Objectives set forth in the Housing and Community Development Act of 1974: 1) create suitable living environments, 2) provide decent housing, and 3) create economic opportunities. The system directs applicants/grantees to select an Objective coupled with one of the following three Outcomes to help define the intent of the activity: 1) availability/accessibility, 2) affordability, and 3) sustainability - promoting livable or viable communities. Therefore, for each proposed activity the applicant will select one of nine Outcome Statements. The proposed system will not change the nature of the program or its regulations. The Massachusetts CDBG Program currently asks applicants to describe the need the activity addresses, as well as the anticipated impact. This system creates a framework that allows for consistent reporting to HUD on a national level.

The One Year Action Plan is organized into the following sections:

SECTION	A.	Massachusetts CDBG Priorities
	B.	Eligible Municipalities
	C.	Eligible Projects/Use of CDBG Program Funds
	D.	Applicant/Project Threshold Criteria
	E.	Allocation of CDBG Funds to the Commonwealth
	F.	Availability of CDBG Program Funds
	G.	Evaluation Criteria for All Program Components
	H.	Program Sanctions
	I.	Citizen Participation Requirements for Applicants and Grantees
	J.	CDBG Program Components (description)

## **A. MASSACHUSETTS CDBG PRIORITIES**

The Community Development Block Grant (CDBG Program) was authorized by Congress, and is funded under Title I of the Housing and Community Development Act of 1974, as amended. The Commonwealth of Massachusetts has designated the Department of Housing and Community Development (DHCD) as the state's administering agency for CDBG funding. The primary objective of the federal statute creating the CDBG Program is: “...to develop viable, urban communities by providing decent housing and suitable living environment and expanding economic opportunities principally for low- and moderate-income persons.” DHCD will fund eligible projects designed to meet this objective, and that are consistent with the Commonwealth’s sustainable development principles listed in Exhibit 5. DHCD encourages:

- development and preservation of affordable housing;
- proactive and coordinated planning oriented towards both resource protection and sustainable economic activity;
- coordinated, integrated community development initiatives that are targeted to neighborhoods or particular geographic areas, that meet the needs of these areas, and are designed to demonstrate measurable improvements in the physical, social, and economic conditions of the area;
- community revitalization that is integral to community development;
- public social services designed to build economic security and self sufficiency; and
- broad local participation in meaningful community-based planning that assesses needs and identifies strategies for addressing those needs.

The Act requires that at least 70 percent of CDBG assistance shall be used to support activities that directly benefit low- and moderate-income citizens of the Commonwealth. In addition, the Massachusetts CDBG Program encourages joint or regional applications so that program funds will be used to benefit a greater number of municipalities.

## **B. ELIGIBLE MUNICIPALITIES**

There are 351 municipalities incorporated in Massachusetts. The U.S. Department of Housing and Urban Development (HUD) has designated 35 as CDBG *entitlement* communities; in general, these communities exceed 50,000 in population and receive CDBG funds directly from HUD. Any city or town **not** designated as an entitlement community by HUD may apply for and receive Massachusetts Community Development Block Grant funds. (Refer to Exhibit 1 for a listing of Massachusetts’ entitlement communities.)

## **C. ELIGIBLE PROJECTS**

The following projects are eligible for funding under the Massachusetts Community Development Block Grant Program:

- planning;
- housing rehabilitation and creation of affordable housing;
- economic development projects which create and/or retain jobs including awards to existing regional entities for regional economic development loan funds;
- efforts directed toward rehabilitation and stabilization of existing neighborhoods, commercial areas and downtowns;
- infrastructure;
- construction and/or rehabilitation of community facilities; and
- public social services.

DHCD has designed several Massachusetts CDBG program components to fund such projects. Each program component responds to particular community development needs. The rules and program guidelines are set forth in Section J: *PROGRAM COMPONENTS*.

## LIMITATIONS ON USE OF PROGRAM FUNDS

- **Buildings used for the general conduct of government** - Assistance related to buildings used for the general conduct of government is specifically excluded from the program by federal statute, except for the removal of existing architectural barriers to improve handicap access. Such work is permitted on municipal buildings such as city or town halls, public works structures, public safety buildings, etc., however the use of CDBG funds is limited to the relevant barrier removal work and directly related and required construction.
- **Public Social Services**
  1. Public Social Services projects are not eligible as a "stand-alone" application under Community Development (CDF) I, II or Mini- Entitlement grants. Furthermore, an application will not be considered a regional application if the only activity proposed to take place in more than one of the co-applicant communities is public social services.
  2. Public Social services cannot exceed 20% of a CDF I, CDF II, or Mini- Entitlement grant, except that Public Social services may equal up to 30% of a grant if 50% of the funds support services that are designed to build economic security and self sufficiency. The following are Public Social services that meet this definition:
    - Job training
    - Literacy training
    - English for Speakers of Other Languages (ESOL)
    - ABE/GED classes
    - Job-related childcare assistance
    - Job-related transportation assistance
    - Individual development accounts

(Note: The 20% limit does not apply to social services designed and provided solely to support micro-businesses, or public social services that increase employment through job training or other related activities when carried out by eligible non-profit development organizations under 105(a)(15). These activities must apply under the EDF.)

  3. Communities must demonstrate that, in accordance with Section 105(a)(8) of the Housing and Community Development Act, proposed social service activities have not been funded by the community using municipal and/or state funds within 12 months prior to the application.
  4. DHCD will fund public social service projects that are not provided by other state or federal agencies, or are currently provided but are not available to CDBG-eligible residents in the applicant communities.
  5. Planning funds may not be used to plan for public social service programs except as part of a broader community development planning project.
- **Downtown/commercial target area related projects** - Communities may apply for funds for downtown or commercial district related projects under CDF I, CDF II, and the Mini-Entitlement Program. Conditions listed below apply to CDF I, CDF II, and the Mini-Entitlement Program. Such projects may include facade/sign programs and streetscape improvements, or other infrastructure



improvements located in a downtown or commercial district revitalization target area that is defined in the Community-Based Planning documents and delineated in the slums and blight documentation supporting the Community Development Strategy. (Appendix \_\_ lists currently approved, slum and blight target areas)

1. DHCD may fund projects that support physical downtown and commercial area revitalization efforts; however, communities may apply to Mass CDBG for downtown/commercial target area related projects in their downtown or commercial target areas only if a) they have satisfactorily demonstrated to DHCD that the proposed project is located in an area meeting National Objective requirements set forth in the Application Guidance on Threshold Questions, and b) their community development strategy (see page 5) contains a downtown or commercial area revitalization element.
  2. CDBG funds **cannot** be used to fund overhead costs or management salaries related to the operation of a downtown organization, nor can they be used for any organizational development for a downtown organization or committee.
- **15 Year Housing Affordability Term** – In an effort to increase the supply of affordable housing, all projects supporting the creation, preservation, and rehabilitation of rental and owner-occupied housing units must be affordable to low and moderate income households for at least a 15-year period. Rehabilitation assistance for owner-occupied properties must be secured by a mortgage or lien on the subject property that includes language restricting rent levels in low and moderate income units for a minimum of fifteen years - or as long as the loan is outstanding. Rehabilitation assistance for investor-owned properties must be secured by a mortgage or lien, and the affordability requirements must be secured by an **Affordable Housing Restriction** [provided by DHCD] on the subject property that runs with the land, and that includes language restricting rent levels in low and moderate income units for a minimum of fifteen years. “Owner-occupied” is defined as a property of no more than four (4) units, one of which is occupied by the owner. All other properties are considered “investor owned.”

<b><i>D. APPLICANT/PROJECT THRESHOLDS</i></b>
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It is the responsibility of the applicant to ensure adherence to the applicable threshold(s). The following standard threshold criteria (#1 through #8) apply to all applications:

1. **Eligibility** - The project must be eligible as defined in §105(a) of Title 1 of the Housing and Community Development Act, as amended.
2. **National Objective** - Each project must meet one of three federal national objectives as defined below and in federal regulations 24 CFR 570.483:
  - a. benefit a majority of low- and moderate-income persons;
  - b. aid in the prevention or elimination of slums or blight; or
  - c. meet an urgent condition posing a serious threat to the health and welfare of the community and where other financial resources are not available to meet such needs. This objective is extremely difficult to meet and is generally limited to unexpected events such as natural disasters. Prior approval from Massachusetts CDBG must be obtained to use this national objective.
3. **Timely Expenditure** – Mass CDBG requires that all applicants - including lead applicants and joint participants - who have received grants comply with a timely expenditure threshold in order to apply for FY 2006 programs. If a joint participant has been a lead grantee in a CDBG grant, that community must meet the timely expenditure threshold in order to be included in a joint

application. In order to apply for CDBG funding, a community must demonstrate, using the last quarterly report due prior to the application date, or the most recent monthly financial status report, that as of the application due date it has no more than \$400,000 in unexpended CDBG<sup>1</sup> program funds for all active grants awarded prior to July 31, 2004.

*Active grants* include those for which project activities have yet to be completed and payments are outstanding. All lead applicants and participating applicants must meet this standard. An applicant must meet this threshold requirement at the time of application for all Mass CDBG components. Communities that do not meet this threshold will be eliminated from further Mass CDBG funding consideration. No waivers will be granted for the timely expenditure threshold. *Unexpended CDBG funds* are defined as funds awarded for eligible Massachusetts CDBG program costs but not expended.

4. **Displacement of Non-CDBG Funds** - Applicants shall certify in the application that CDBG funds will not be used to displace non-CDBG funds already appropriated by or to the community for a specific project. DHCD will reduce an award, deny a grant, or impose special conditions in a grant contract with that community to assure compliance with this requirement.
5. **Sustainable Development** – In order to receive funding a project or activity must be consistent with the Sustainable Development principles. To meet this threshold, a project must either be consistent with the principle of Redevelop First or meet at least five (5) of the following principles: Concentrate Development, Restore and Enhance the Environment, Be Fair, Conserve Resources, Expand Housing Opportunities, Provide Transportation Choice, Increase Job Opportunities, Foster Sustainable Development, and Plan Regionally. Projects that involve new construction must be consistent with either Concentrate Development or Restore and Enhance the Environment. Additional guidance on this threshold may be found in Exhibit 6. **This threshold does not apply to Public Social Services, non-development Microenterprise Assistance activities, or projects that eliminate a public health or safety risk.**

In addition, housing rehabilitation programs and public facilities projects are required to use Energy Star building performance standards. Those standards are found at [www.energystar.gov](http://www.energystar.gov). Streetlights installed as part of a road or streetscape improvement project must be “full cut-off” or “semi cut-off” fixtures.

6. **Community-Based Planning Requirement** - The Department supports municipal efforts to engage in community-based planning, conduct needs assessments, and identify strategies for addressing those needs. DHCD seeks to fund projects identified through meaningful, public community-based planning and priority setting processes. Therefore projects must be consistent with community efforts to identify needs and engage in strategic planning for addressing those needs. *This helps to ensure that local needs have been identified and priorities determined in a comprehensive manner, and public resources are directed toward projects that address needs the community has identified as high priority.* All applicants and participants<sup>2</sup> must have engaged in a community-based planning process and be able to demonstrate project consistency with a Community Development Strategy, (not to exceed seven [7] pages), that must be included in the application.

The Strategy serves to summarize various planning documents used by a community, and to outline a plan of action intended to accomplish specific community development goals that will have an

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<sup>1</sup> CDBG includes CDF I and II, Mini-Entitlement, HDSP, Ready Resource, and Reserves, but for the purposes of this calculation excludes grants from Massachusetts Community Capital Fund, Section 108, and Bridge Financing Program. Planning-only grants of \$50,000 or less are also excluded from this calculation.

<sup>2</sup>This includes regional applicants.

impact on the community. Therefore, each Strategy can reference various planning documents approved by a locally elected or appointed body, or by Town Meeting, but *it is important that the Strategy reflect a comprehensive, integrated approach to the municipality's community development priorities*. The Strategy must also discuss how the community will plan for and implement projects that are consistent with the Commonwealth's Sustainable Development Principles by promoting compact development; expanding housing opportunities; reutilizing brownfields and abandoned buildings; implementing existing Master Plans, E.O. 418 Community Development Plans, or approved Open-Space Plans; protecting open space; advancing sound water policies; and preserving working natural landscapes.

Each activity included in an FY 2006 application must relate to and be reflected in the Strategy. The Strategy must explain how the community expects to address the priorities with CDBG and non-CDBG funds over a 3-5 year period.

The Community Development Strategy may reference or incorporate findings of relevant plans and analyses that have been completed and used for decision-making purposes by municipal boards, agencies and departments. Such plans may include but are not limited to EO 418 Community Development Plans, EO 418 housing strategies, Capital Improvement Plans, Master Plans, Downtown Plans, Open Space and Recreation Plans, Area Revitalization Strategies, Urban Renewal Plans, the regional Comprehensive Economic Development Strategy, and a Community Action Statement (CAS). The strategy must be discussed in a public forum, such as the public hearing required prior to submitting a Mass CDBG application.

For FY 2006, DHCD will evaluate the submitted Community Development Strategy to determine the adequacy of the Strategy. Each Community Development Strategy must be determined to be adequate or the remainder of the application will not be scored. DHCD will use the following three criteria to make this determination:

- 1.) The Strategy describes the community's approach to a variety of projects and activities which include but are not limited to, the subject of the current CDBG application;
- 2.) The Strategy concludes with a list of projects and activities in order of priority which the community intends to undertake to address their community development needs;
- 3.) The community submits evidence of a public forum, meeting or hearing at which the Community Development Strategy and its priority list was presented and specifically discussed.

Applications for funding under the first round of the FY 2006 Housing Development Support Program (HDSP) must include a Community Development Strategy but it will not be reviewed for adequacy under the above criteria.

7. **Outcome Performance Measurement System** - HUD has issued a proposed rule, has held regional feedback sessions and developed the HUD Outcome Performance Measurement System as outlined in the Federal Register, June 10, 2005. The system will allow HUD to collect information on the activities undertaken in the following programs: HOME, CDBG, HOPWA and ESG, and to aggregate that data at the national, state, and local level.

Representatives from Massachusetts participated with the national workgroup. The Commonwealth intends to implement HUD's performance measurements starting with the FY 2006 program year. The outcome measures framework contained herein will be used to supplement the measurements contained in the HUD notice, along with any revisions adopted by HUD.

The proposed system incorporates the following three Objectives set forth in the Housing and Community Development Act of 1974: 1) create suitable living environments, 2) provide decent

housing, and 3) create economic opportunities. The system directs applicants/grantees to select an Objective coupled with one of the following three Outcomes to help define the intent of the activity: 1) availability/accessibility, 2) affordability, and 3) sustainability - promoting livable or viable communities.

Therefore, for each proposed activity the applicant will select one of the nine Outcome Statements provided below.

	Outcome 1: Availability/Accessibility	Outcome 2: Affordability	Outcome 3: Sustainability
Objective #1 Suitable Living Environment	Enhance <u>Suitable Living Environment</u> Though Improved/New <u>Accessibility</u>	Enhance Suitable Living Environment Though Improved/New Affordability	Enhance Suitable Living Environment Though Improved/New Sustainability
Objective #2 Decent Housing	Create Decent Housing with Improved/New Availability	Create <u>Decent Housing</u> with Improved/New <u>Affordability</u>	Create Decent Housing with Improved/New Sustainability
Objective #3 Economic Opportunity	Provide Economic Opportunity Through Improved/New Accessibility	Provide Economic Opportunity Through Improved/New Affordability	Provide <u>Economic Opportunity</u> Through Improved/New <u>Sustainability</u>

Based on the applicant's purpose for undertaking a project or activity, the applicant will determine and state in the application what the intent of the project is with one of the nine Outcome Statements. (An applicant may select additional, secondary Outcome Statements if it believes them to be applicable to its proposed activities.)

The proposed system will not change the nature of the program or its regulations. The Massachusetts CDBG Program currently asks applicants to describe the need the activity addresses, as well as the anticipated impact. This system creates a framework that allows for consistent reporting to HUD on a national level.

In addition, the applicant will report on several indicators. Five of the indicators will be required for virtually all activities. Other indicators will be required as applicable for each activity type. More detailed materials regarding the Outcome Performance Measures System will be included in the FY 2006 Application.

8. **Regional Applications** - Each community in a regional application must comply with the same requirements as individual communities in individual applications, in order to participate in a regional grant. For example, each participating community must have a Community Development Strategy that is found to be adequate, the community must have been identified and be part of the required public participation/hearing process and the community must submit all required signatures. Communities that fail to comply will be dropped from consideration as a regional participant and the application will be reviewed on the basis of those communities that have complied with the requirements. As a result,

the number of participating communities and/or the dollar amount requested in a regional application may be reduced during the review process.

Additional threshold criteria #9 through #12 apply to specific program applications or types of projects.

9. **Public Benefit Standards** - Economic development projects that are eligible under Title I of the Housing and Community Development Act of 1974, Sections (14), (15) and (17) must meet CDBG standards of underwriting and public benefit. Eligible projects under 105(a)(2) may also be required to meet public benefit standards when undertaken for Economic Development purposes.
10. **Senior Center Projects** - Applicants for Senior Center projects must meet the following threshold requirements to have their applications reviewed and scored:
  - (i) provide evidence of site control<sup>3</sup> by the municipality, as attested to by the Mayor or Board of Selectmen,
  - (ii) provide documentation of the availability and commitment of any other funds necessary to complete the project, and
  - (iv) provide one copy of the bid-ready plans and specifications,<sup>4</sup> prepared by a licensed architect or engineer (modular construction may require a lesser standard – see Project Threshold Criteria #11).

CDBG-assisted senior center projects funded in FY 2004 or later may not receive subsequent CDBG assistance for additional construction or reconstruction until five (5) years have passed since the grant closeout date. Communities seeking CDBG funds for senior center projects must request elderly low- and moderate-income household data from DHCD prior to submitting an application.

11. **Architectural Barrier Removal** - A municipality applying for assistance with an architectural barrier removal project must submit a copy of its locally approved Americans with Disabilities Act (ADA) Self Evaluation Survey and Transition Plan. The ADA was enacted in 1990 and requires local governments to evaluate for accessibility all of its programs and services that had not previously been reviewed under Section 504 of the Rehabilitation Act of 1973. The Act also required preparation of a Transition Plan for removal of programmatic and structural barriers to its programs and services, and set forth a process for involving the community in the development of the Self Evaluation Survey and Transition Plan. Programmatic removal of barriers must be fully explored before considering CDBG funding for structural barrier removal. Completion of the Transition Plan is a required threshold for Architectural Barrier Removal applications.

It is the responsibility of each community to ensure that its Transition Plan is consistent with federal regulations. A community's request for Mass CDBG funding must be consistent with the priorities set forth in these locally developed documents. Communities may wish to contact the Massachusetts Office on Disability or the U.S. Department of Justice for specific questions regarding the ADA and the Rehabilitation Act of 1973.

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<sup>3</sup> Evidence of site control may include but is not limited to a deed, long-term lease agreement, purchase and sale agreement, or other contract or legal document.

<sup>4</sup> Bid-ready plans and specifications are those construction documents that constitute a presentation of the complete concept of the work including all major elements of the building and site design. The bid documents shall set forth in detail and prescribe the work to be done by the construction specifications; the materials, workmanship, finishes and equipment required for the architectural, structural, mechanical, electrical and site work; and the necessary solicitation information. Drawings shall include the following: a) Site plan showing the location and type of building; b) Scale plans of the building; c) Wall sections, details, and elevations in sufficient detail to serve as a basis for a construction estimate; d) All other required architectural, civil, structural, mechanical and electrical documents necessary to complete the project.

Applications for Architectural Barrier Removal projects of \$100,000 or more require bid-ready plans and specifications in each copy of the application. Projects less than \$100,000 but more than \$25,000, require design development drawings.

Finally, when used for Architectural Barrier Removal, CDBG funds may be used only for the relevant barrier removal work and directly related and required construction. CDBG funds cannot be used to address building code or local requirements that are not directly part of the removal of the architectural barrier.

12. **Bid-ready Plans and Specifications** - Bid-ready plans and specifications are required for all public facilities and architectural barrier removal projects of \$100,000 or more (see definition in footnote #4). Design development drawings are required for public facilities and architectural barrier removal projects with a total project cost of more than \$25,000 but less than \$100,000.

In addition, DHCD recognizes that this requirement may be problematic for communities considering modular construction projects. To satisfy these concerns, in order to apply for assistance to undertake modular construction a community may instead provide DHCD with a reasonable cost estimate for the project. Detailed backup for the total costs for modular construction projects must include the cost of site preparation, off-site construction of the modular unit, and the cost of delivering and assembling the modular unit including all work necessary - including but not limited to all utility work and sub-trades - to result in the issuance of an occupancy permit. To accomplish this, the community must provide the following: the program for the building; plans, specs, and prices of comparable unit(s) from the manufacturer; evidence of the manufacturer's ability to deliver the unit during the timeframe for construction identified in the grant application; and a site plan.

<i>E.</i>	<i>ALLOCATION OF CDBG FUNDS TO THE COMMONWEALTH</i>
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The federal Fiscal Year 2006 HUD allocation to the Commonwealth of Massachusetts is expected to be approximately \$37,000,000. DHCD's funds are subject to availability from the federal government, which is contingent on the federal budget and appropriations process and the HUD allocation process. In addition to the HUD allocation DHCD expects to receive approximately \$xxx,xxx in program income, for a total of \$xx,xxx,xxx available for FY 2006. These funds will be distributed during the program year to eligible cities and towns in accordance with the allocation among program components outlined below. If changes to this distribution become necessary, procedures outlined below explain how such changes will be made.

PROGRAM COMPONENT	Mass CDBG ALLOCATION (ESTIMATE)
Community Development Fund I	\$
Community Development Fund II	\$
Mini-Entitlement Program	\$
Housing Development Support Program	\$
Economic Development Fund	\$
-Bridge Financing Program*	
-Section 108 Loan Guarantee Program*	\$
Reserves	\$
Section 108 Loan Repayments**	\$
Administration and Technical Assistance	\$
TOTAL AVAILABLE FOR FY 2006 (includes \$500,000 in program income)	\$
*Bridge Financing and Section 108 Loan Program allocations do not impact the FY 2006 Allocation **Section 108 Loan Repayments are budgeted but not necessarily required. This is an "up to" amount.	

Reallocation of funds among program components: During the year, DHCD may have cause to recapture earlier program year funds from non-performing grantees; or there may be small amounts of program funds from prior years that have yet to be used; or there may be opportunities to recapture program income generated by communities from earlier projects; or there may be extreme demand for one program component; or there may be minimal demand for one component. Funds will be reallocated depending on the timing of other components and the apparent demand for funds or to address emergency situations during the program year. When awarding those funds DHCD will use current program guidelines as established in the most recent One Year Plan. DHCD reserves the right to increase or decrease the allocation of a program component. When these cumulative changes meet the threshold criteria of an amendment, DHCD will follow the process in accordance with the State's Consolidated Plan and regulations at 24 CFR 91.505. DHCD may also have cause to fund from any allocation or resources to respond to corrective actions after program closeouts or as a result of other administrative errors.

#### ***F. AVAILABILITY OF CDBG PROGRAM FUNDS***

All CDBG program funds will be available to eligible grant recipients based on applications for Massachusetts Community Development Block Grant funds and/or Notices of Funding Availability that will be distributed on a regular basis. These documents will make communities aware of the requirements of each particular component and will be available to allow communities adequate time to prepare grant applications for each program.

A single community may receive no more than \$1 million from any combination of federal FY 2006 Community Development Fund I or II, or Mini-Entitlement grant funds. Awards not subject to the \$1 million cap per community include the Housing Development Support Program and the Economic Development Fund.

Listed below are application distribution dates for each program and the corresponding due dates. A Notice of Availability of Funds will be issued, as appropriate, prior to release of each Application subject to the availability of federal funds.

Program Components <sup>5</sup>	Application Issued	Notices of Intent Due (if necessary)	FY 2006 Applications Due
Community Development Funds I and II	January 2006	Wednesday, February 15, 2006	Wednesday, March 1, 2006
Mini Entitlement Program	January 2006	N/A	Wednesday, March 1, 2006
Housing Development Support Program	September 2005	September 29, 2005, and February 23, 2006	November 17, 2005, and April 13, 2006
Economic Development Fund	January 2006		Continuous

#### ***G. EVALUATION CRITERIA APPLICABLE TO ALL CDBG PROGRAMS***

DHCD reserves the right to incorporate any or all of the following Evaluation, Regulatory and Performance criteria in its award decisions:

<sup>5</sup> The FY 2006 applications will be operative upon their release. Actual release of funds is contingent on HUD approval of the state's One Year plan, and will be dictated by the date the state receives HUD approval on its Plan.

#### Evaluation:

- solicit and verify information from any local, state or federal agencies and other entities, and based on that information, reduce, increase or deny an award to a community.
- conduct site visits for any proposed CDBG project, prior to grant award, and if necessary, condition, reduce, increase or deny an award to a community.
- reduce or increase an award to a community to assure that a grant budget is reasonable.
- fund, fully or partially, a project from other state resources.
- reduce or deny a grant, or place special conditions on a grant, based on the management capacity of the of the municipality or the current or proposed administering agency.
- resolve tie scores in a competitive fund by applying the criteria below in the following order:
  1. An application from the community or region with the higher Community-Wide Needs score will be funded;
  2. Applications for projects that increase the community's supply of affordable housing units;
  3. Regional applications;
  4. Applications for housing and/or economic development projects that are consistent with the goals of the Administration; and
  5. If scores remain tied after the application of steps #1 through 4, DHCD will conduct a lottery at which a representative from HUD will be present.

#### Regulatory:

- ensure that at least 70 percent of CDBG assistance, as per federal statute, is used to support projects that directly benefit low- and moderate-income persons of the Commonwealth.
- ensure that no more than 15 percent of the FY 2006 Massachusetts CDBG allocation is for public social service activities as per federal regulation.
- deny a grant, or a portion thereof, to ensure that no more than 20 percent of the FY 2006 Massachusetts CDBG allocation is for planning and administration as per federal regulation.
- not review an application unless signed by the municipality's Chief Elected Official.

#### Performance:

- reduce an award to a community with an uncommitted program income balance of \$100,000 or more.
- reduce an award, deny a grant, or impose special conditions on a community with prior year grants with a low rate of committed or expended dollars. This includes dollar-for-dollar reductions in awards for projects funded in previous rounds for which unexpended funds remain.
- reduce an award, deny a grant, or impose special conditions on a community with outstanding, major findings that are unresolved at the time application decisions are being made; or which have otherwise had a history of significant, repeat findings. These findings could have resulted from any grant program offered by DHCD.



*Major findings* means non-compliance with a statutory requirement which, if not satisfactorily resolved by the community, would require that the federal funds be repaid by the municipality, or result in other serious sanctions.

*History of significant, repeat findings* means non-compliance with statutory or regulatory requirements in more than one grant cycle, where the community may have resolved those findings but with an unacceptably slow response.

- consider the past performance in the management of state grants, including but not limited to CDBG, by the applicant community and its administering agency or project sponsor, including continuing prior performance issues such as the number of program extension requests, program amendments and requests to re-program past grant funds due to inability to complete the originally awarded activities.

## Awarding of Grants

Based on the scores produced through the review process, grant award recommendations are made to the Director of DHCD, whose decision is final. In the competitive programs, grants are awarded for projects to municipalities that received the highest application scores and which meet applicable thresholds until all available funds are distributed. In the programs with rolling applications, grants are awarded for projects to municipalities with application scores that meet a minimum scoring threshold, or that meet other program criteria, or both. DHCD reserves the right to award a grant in whole or in part, or to reject any and all proposals received.

## Grievance Procedure

Within forty-five (45) days of the date of the Director's written notice of grant determinations to applicant cities and towns, any municipality aggrieved by DHCD's decision may challenge the denial of its grant by submitting a letter of appeal from the Chief Elected Official of the municipality to the Director, who shall respond no later than forty-five (45) days from the date of receipt of the municipality's appeal.

<b><i>H. PROGRAM SANCTIONS</i></b>
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DHCD reserves the right to suspend or terminate grant awards made to eligible communities should there be instances of fraud, abuse, poor performance, misrepresentation, or extreme mismanagement, or in the event a grantee is unable to carry out a project as approved in an application. Communities should be aware that in the event that a project budget is found to be inadequate to fully implement the project as approved, DHCD reserves the right to review and approve any change in project scope to make a project fundable and may opt for recapturing the funds instead of authorizing a project with a reduced scope of work. The community staff and Chief Elected Officials will have the opportunity to discuss possible sanctions prior to any formal action. If formal sanctions are recommended, grantees will be provided a full opportunity to appeal such decisions to the Director of DHCD before any final action is taken.

All program funds recaptured through the sanctions process will be re-programmed consistent with the procedures in (E) *Allocation of CDBG Funds* and (J) *CDBG Program Components*. Based on the significance of the issues involved in any such determination, DHCD may suspend, for a period of up to three (3) years or until final resolution is achieved, a community's eligibility to participate in any Massachusetts CDBG component. Such action will only be taken in extreme circumstances and only after all alternatives have been exhausted.

## **I. CITIZEN PARTICIPATION REQUIREMENTS FOR APPLICANTS AND GRANTEES**

All applicants for funding under the FY 2006 Massachusetts CDBG Program must comply with the citizen participation requirements contained in Section 508 of the Housing and Community Development Act of 1987. DHCD expects citizen involvement in the identification of community development needs, the development of applications, program assessment and evaluation. Communities must include in their Massachusetts CDBG application a local citizen participation plan detailing how the community will provide:

1. citizen participation, with particular emphasis on participation by persons of low- and moderate-income, residents of slums and blighted areas and of areas in the state where CDBG funds are proposed to be used, particularly residents of a proposed target area;
2. reasonable and timely access to local meetings, information, and records relating to the grantee's proposed use of funds, and relating to the actual use of funds;
3. information on the amount of state CDBG funds available during the year; the range of eligible CDBG activities; and how activities will benefit low- and moderate-income persons;
4. technical assistance to groups representative of persons of low- and moderate-income that request such assistance in developing proposals;
5. **a minimum of 2 public hearings**, each at a different stage of the program (development and implementation), to obtain citizen views and to respond to proposals and questions at all stages of the community development program, including at *a minimum* (a) the development of needs, (b) the review of proposed activities, and (c) review of program performance. These hearings shall be held after adequate notice, at times and accessible locations convenient to potential or actual beneficiaries, and with accommodations for persons with disabilities. In cases of joint applications, all applicant communities must be included in and participate in the public hearing. At least one public hearing must be held prior to submittal of an application; a second must be held during the course of the grant year;
6. a timely written answer to written complaints and grievances, within 15 working days of receipt where practical; and
7. the plan must also identify how all residents and beneficiaries, including minorities and non-English speaking persons, as well as persons with disabilities can be reasonably expected to participate in the program in general, and at public hearings in particular.

## **J. CDBG PROGRAM COMPONENTS**

This section briefly describes the components of the Massachusetts CDBG Program. Each program component description includes eligible uses, grant award amounts, and evaluation and award criteria. In the event of conflicting language, this One Year Action Plan takes precedence over language in all program component applications. The program components are:

1. Community Development Fund I (CDF I)
2. Community Development Fund II (CDF II)
3. Mini-Entitlement Program
4. Housing Development Support Program (HDSP)
5. Economic Development Fund
6. Reserves
7. Administration and Technical Assistance by DHCD

## I. COMMUNITY DEVELOPMENT FUND I (CDF I)

### Program Description

The Community Development Fund I (CDF I) annually awards grants to communities throughout the Commonwealth. This program helps eligible cities and towns to meet a broad range of community development needs in housing, infrastructure, downtown revitalization, and public social services. It supports CDBG-eligible activities and encourages applicants to develop coordinated, integrated and creative solutions to local problems. CDF I is targeted to communities with high Community-Wide Needs scores (ranging from 25 to 35) and very limited financial ability to address those needs with local funds. See Exhibit 3 for Community-Wide Needs Scores and Exhibit 4 for the indicators and formula used to derive the scores.

In federal FY 2006 DHCD expects to award approximately \$xx,xxx,xxx in CDF I grant funds, depending upon Massachusetts' federal allocation.

### Grant Award Amounts

Applicants for a CDF I grant will be eligible to receive up to the following amounts based on the type of application submitted:

Category	Minimum Grant from Competitive Round:	Maximum Grant from Competitive Round:
Single Community	\$ 100,000	\$ 800,000
Two or Three Communities (Regional)	\$ 100,000	\$ 1,000,000
Four or More Communities (Regional)	\$ 100,000	\$ 1,200,000
Planning- or Design-only grants	\$ 20,000	-----

No single CDF I community in a regional application may receive more than \$800,000. There is a minimum grant amount of \$20,000 for planning or design-only grants.

### Requirements:

1. CDF grants are **Single Year Grants** based on an 18-month implementation period. Communities should not apply for funds if the proposed project is not ready to proceed.
2. Two or more communities may apply **regionally**. "Regional" is not limited to geographically contiguous cities and towns. In order to comply with federal requirements governing such applications, each participating community would:
  - enter into an inter-local agreement that will allow a lead community to conduct grant activities within other communities;
  - sign the application certifications stating compliance with program regulations; and
  - demonstrate in the application how the requested funds will be allocated among all participants.

Each participating community in a regional application must have a locally approved Community Development Strategy, and all projects in the application must be consistent with those documents.

All activities in a regional application must involve more than one community; communities may not undertake individual activities in a regional application. CDF I communities may also join with CDF II or Mini-Entitlement communities as regional applicants.

**PLEASE NOTE:** An application will not be considered a regional application if the only activity taking place in more than one of the communities is public social services.

3. An applicant is eligible to apply to Community Development Fund I if its FY 2006 Community-Wide Needs Score, rounded to the nearest integer, is 25 or greater on a scale of 35. Community Wide Needs Scores are available in Exhibit 3.
4. A community may apply in either one individual CDF application or in one regional application (including as a lead applicant), or in one of each. In addition, a municipality may not receive funds for the same activity under more than one CDF application during any one Mass CDBG federal fiscal year.
5. Notice of Intent to apply to CDF I and CDF II components will be required, due on, Wednesday, February 15, 2006. Information included in the notice can be amended up to the application deadline. The notice will be used by DHCD for informational and planning purposes only.
6. All CDF I applications must be received by DHCD by Wednesday, March 1, 2006, at 5:00 PM or at the end of business, whichever is later.

#### Evaluation and Award Criteria

Application review and awards will be governed by the criteria and procedures as described above (Sections A through I), and the following criteria, process rules and special requirements. Additional detail on evaluation criteria and the review process will be in the FY 2006 Community Development Fund Application Package.

1. Applications will be scored on a 100-point system, with the potential for bonus points, as follows:

CRITERION	POINTS
Community Wide Needs	35
Project Packets	65
<b>Total</b>	<b>100</b>
Regional Bonus	5 per activity
Targeted/Comprehensive/Integrated	Up to 15

Each criterion is described below. Please be advised that applicants must meet a minimum threshold for Project Feasibility -- i.e., each project must appear to be feasible to undertake and complete in the 18-month grant period, or the other criteria will not be scored. Projects must demonstrate financial feasibility, including adequate sources available for all costs based on reasonable cost estimates and financial need. Sources and uses of funds are limited to actual documented cash/expenditures specific to the proposed project. Proposals must also demonstrate site control, major permit approval, and other information that demonstrates the project is feasible and ready to go forward upon grant award. All projects must also meet threshold consistency with the Sustainable Development Principles.

**Community-Wide Needs** - are scored by DHCD, based on a set of criteria including population demographics, economic conditions, the community's fiscal condition, and assorted community development need indicators. A complete list of indicators is described in Exhibit 4. Communities are encouraged to submit a written request for their need scores. A community or its designee may make the request. DHCD will notify the community's Chief Elected Official of when and to whom the score is mailed. Only the lead community of a regional application needs to submit a request for the community-wide needs score. Regional applications will receive needs scores based on a weighted average of the scores for the participating communities. (35 points)

**Project Need** - requires applicants to document and describe the particular needs that will be addressed by each proposed project and the severity of those needs. Project Need will be evaluated based on the documented severity of need.

**Community Involvement and Support** - requires applicants to describe and document project selection, outreach efforts, involvement by the community and potential beneficiaries in the planning and development of the project and a process for maintaining involvement in the project over time. Community Involvement and Support will be evaluated based on the extent to which the applicant provides greater opportunity for involvement, actual involvement and support for the activity beyond CDBG- required efforts.

**Project Feasibility** - requires applicants to document and describe an understanding of the permitting and project management tasks necessary for the project, the procurement processes required of the project, the status of design and site control, the availability of all necessary funds and the readiness of the project to proceed, including completeness of environmental review requirements, and completeness and reasonableness of timeline. Project Feasibility will be evaluated on the applicants ability to demonstrate the overall readiness of the project and the ability of the applicant to complete the project within the 18-month grant implementation period.

**Project Finance** - requires applicants to document a detailed project budget including evidence of costs reasonableness. Project finance will be evaluated on the extent to which the project finances are documented, address required costs, are accurate and reasonable and leverage other funds.

**Project Impact** - requires applicants to document and describe the impact of the proposed project on the identified needs of the target population or target area including physical and visual impacts, if applicable. Project Impact will be scored on the extent to which the project will have positive impacts on the target area or target population, the number of persons to benefit from the proposed project, quantitative and qualitative assessment measures, and an assessment of the impact of previously funded activities.

To be determined fundable, a project packet must earn a score of at least 39 points out of the 65 possible for a project packet.

#### Available Bonus Points

**Regional activities** - fundable activities that will serve multiple communities will receive an additional five points.

#### **Targeted/Comprehensive/Integrated Activities**

- Applications may receive an additional five points when activities are targeted to a geographic area. Applicants will demonstrate this through an additional narrative listing the CDBG-funded activities, the target area and anticipated measurable improvements that will result. Communities with populations under 5,000 may define their entire community as a target area.
- Five additional points are available to applicants proposing multiple, activities in a target area and demonstrate that the activities are coordinated and integrated. A minimum of at least two activities must be fundable, except that public social services cannot be counted as one of the two required activities.
- An additional five points will also be awarded if an applicant demonstrates that non CDBG-funded activities, consistent with the community's Community Development Strategy and complementary to the requested CDBG activities, are also targeted to the same geographic area and will also result in measurable improvements.

3. Applications with more than one project packet (component) to be considered for funding will receive a single Activity Score that is based on the average score for each project that meets the thresholds enumerated above then rounded to the nearest whole number.
4. When all applications have been reviewed, each packet score will be rounded to the nearest whole number. DHCD will fund proposals by ranking the scores from highest to lowest, applying the Evaluation Criteria above in (G) *Evaluation Criteria Applicable To All CDBG Programs* in the event of tie scores.

## 2. COMMUNITY DEVELOPMENT FUND II (CDF II)

### Program Description

This program helps the state's non-entitlement cities and towns meet a broad range of community development needs in housing, physical development, downtown revitalization and public social services. In federal FY 2006, DHCD expects to award \$x,xxx,xxx under the Community Development Fund II (CDF II) to eligible applicants, depending upon the allocation of federal funds from HUD.

### Grant Award Amounts and Requirements

Applicants for a CDF II grant will be eligible to receive up to the following amounts based on the type of application submitted:

Category	Minimum Grant from Competitive Round:	Maximum Grant from Competitive Round:
Single Community	\$ 100,000	\$ 800,000
Two or Three Communities	\$ 100,000	\$ 1,000,000
Four or More Communities	\$ 100,000	\$ 1,200,000
Planning- or Design-only grants	\$ 20,000	////////

No one single CDF II community in a regional application may receive more than \$800,000 in FY 2006 funds. There is a minimum grant amount of \$20,000 for planning-only grants. All requirements of CDF I apply to CDF II.

This program is available to communities with a Community-Wide Needs Score equal to or less than 24 out of 35 points for federal Fiscal Year 2006. Community Wide Needs Scores are available in Exhibit 3. A community may apply in either one individual CDF II application or in one regional application (including as a lead applicant), or in one of each.

CDF II communities may join with a CDF I and/or a Mini-Entitlement lead applicant or with another CDF II for regional activities. Regional applicants are not limited to geographically contiguous cities and towns. The Community Wide Needs Score of CDF II applicants will not be considered in the composite regional Community Wide Needs Score. Participation in a regional application will not prohibit an eligible CDF II applicant from applying individually to the CDF II, within the stated restrictions.

#### The following conditions apply to regional applications:

- Funds allocated to the CDF II communities for regional activities will not be included when calculating the \$1 million cap in Mass CDBG funds that the lead CDF I or Mini-Entitlement communities may receive in a fiscal year.

- Funds allocated to the CDF II communities for regional activities will be included when calculating the \$1 million cap in Mass CDBG funds that participating CDF II communities may receive in a fiscal year.

Notice of intent to apply to CDF I and CDF II components will be required, due on Wednesday, February 15, 2006. Information included in the notice can be amended up until the application deadline. The notice will be used by DHCD for informational and planning purposes only.

All CDF II applications must be received by DHCD by Wednesday, March 1, 2006, at 5:00 PM or at the end of business, whichever is later.

#### **LIMITATIONS/CONDITIONS ON SUBSEQUENT CDF II APPLICATIONS**

Receiving an award from the Community Development Fund II precludes a community from applying to a Community Development Fund program the following two federal fiscal years, except in the following instances:

- A Community Development Fund II eligible community that has not received a CDF II grant award on its own but which has participated with a Community Development Fund I or Mini-Entitlement community for **housing activities** may apply to the Community Development Fund II.
- A Community Development Fund II eligible community that has received a CDF II grant award in FY 2004 or FY 2005 on its own may be a participant with a CDF I, CDF II or a Mini-Entitlement community, for **housing activities only**.
- A CDF II eligible community that has successfully administered an FY 2004 or FY 2005 housing related grant on its own may be eligible to be a single or lead applicant for **housing activities only**.
- A community previously awarded funds for an architectural/engineering planning-only project may apply for FY 2006 funding to implement the planned project. However, the maximum allowable FY 2006 grant award (see chart on previous page) will be reduced by the amount of the previous grant.

Exhibit 2 lists communities that may not apply for CDF funds in FY 2006.

#### **Evaluation and Award Criteria**

Applications will be reviewed according to the same criteria and process for activities as detailed in the discussion above describing criteria for CDF I. However, the Community-Wide Needs Score will not be factored into the evaluation. The application will be scored on a 65-point scale.

### **3. MINI-ENTITLEMENT PROGRAM**

In 2004, DHCD evaluated the Mini-Entitlement Program, determined that the rationale for the program still exists, and will continue to fund certain communities on an annual basis through this set-aside. DHCD applied the new 2000 Census data to the Mini-Entitlement formula, and changes in demographics have resulted in the current list of eligible Mini-Entitlement communities. A budget of \$x,xxx,xxx has been established for the FY 2006 Mini-Entitlement set-aside.

#### **Program Description**

Municipalities were selected to be Mini-Entitlement communities if they met **five of the six** following criteria: (1) Community Wide Needs Score of 19 or higher; rank within the top 30% in the state in: (2) population, (3) percentage of low- and moderate-income persons, (4) the number of pre-1939 housing stock, (5) population

density; and (6) have a population that is equal to or greater than 51% low- and moderate-income persons. This program helps larger non-entitlement urban communities with the highest needs improve conditions for their low- and moderate-income residents through comprehensive planning and predictable funding. Through this program, identified cities and towns can meet a broad range of community development needs in housing, business development, physical development, downtown revitalization, and public social services. It supports all CDBG-eligible activities and encourages applicants to develop comprehensive, creative solutions to local problems.

In Federal FY 2006, DHCD expects to award up to \$x,xxx,xxx from the Mini-Entitlement Program allocation to 16 designated Mini-Entitlement municipalities, listed below:

Amesbury  
Amherst  
Chelsea  
Everett  
Fairhaven  
Gardner  
Greenfield  
Methuen  
Milford  
North Adams  
Revere  
Rockland  
Southbridge  
Wareham  
Webster  
West Springfield

For FY 2006, DHCD requires Mini Entitlement communities to approach CDBG projects in a comprehensive and integrated manner and is directing these communities to target their CDBG funds to particular geographic areas in order to impact and effect change within neighborhoods. DHCD will offer enhanced technical assistance to Mini-Entitlement communities, including comprehensive planning, revitalization planning, priority setting, and project planning and development.

#### **Grant Award Amounts and Requirements**

The maximum grant award is up to \$600,000. Mini-Entitlement applications will contain an 18-month implementation and cash flow plan. Release of the FY 2006 allocation, however, is contingent on 1) the community's adherence to the timely expenditure threshold (see Applicant/Project Thresholds above), and 2) continued availability of federal funding.

#### **Evaluation and Award Criteria**

The following requirements apply to the Mini-Entitlement Program:

1. In accordance with the Massachusetts CDBG Priorities listed in Section A, DHCD seeks to fund projects identified through meaningful community-based planning and priority setting processes as described in SECTION D. 6.
2. Each Mini-Entitlement grantee must submit an updated community development strategy as detailed above in SECTION D. 6. Community Development Strategies must also include how the community will plan for and implement projects that are consistent with the Commonwealth's Sustainable Development Principles by promoting compact development; expanding housing opportunities; reutilizing brownfields and abandoned buildings; implementing existing Master Plans, E.O. 418



Community Development Plans, or approved Open-Space Plans; protecting open space; advancing sound water policies; and preserving working natural landscapes.

3. In addition to meeting threshold requirements (including threshold consistency with the Sustainable Development Principles), Mini Entitlement applications must consist of activities that are comprehensive and integrated to serve an identified neighborhood or target area. Projects in a Mini-Entitlement application must receive 33 points in a scored application packet in order to be funded. Projects that do not meet all thresholds and do not receive 33 points when scored will not be funded and the community's Mini-Entitlement award will be reduced accordingly.
4. All FY 2006 Mini-Entitlement applications must be received no later than **Wednesday, March 1, 2006**. The Application must describe how CDBG funds will be allocated; include goals and performance measures for each activity; demonstrate compliance with a federal national objective and all federal/state requirements; and provide a management plan. The project packets will be reviewed for compliance with all evaluation criteria. Project packets will be scored in accordance with the same criteria and process for activities as detailed in the discussion above describing criteria for CDF I, with the exception that packets in a Mini-Entitlement application must receive a minimum of 33 points.
5. All activities that are eligible under Section 105(a) of Title I of the Housing and Community Development Act of 1974, as amended, will be considered for funding with the exception of organizational activities of downtown partnerships.
6. Mini-Entitlement communities may join with CDF I or CDF II communities as joint applicants with limitations as described above in Section J. 2.

#### **4. HOUSING DEVELOPMENT SUPPORT PROGRAM**

##### **Program Description**

The Housing Development Support Program (HDSP) is designed to facilitate small project-specific affordable housing initiatives with emphasis on creation, preservation or improvement of housing units, which may not be cost-effective under alternative development assistance programs or with conventional financing.

##### **Grant Award Amounts and Requirements**

##### Notice of Intent Process

Communities must submit a Notice of Intent (NOI) in order to apply for HDSP funds. A NOI may be obtained by contacting HDSP staff, and must be submitted under signature of the community's Chief Elected Official.

The NOI must be received by DHCD at least seven (7) weeks prior to the application due dates. For FY 2006 HDSP applications, a NOI must be received by DHCD no later than **Thursday, September 29, 2005** for the first round of FY 2006 funds, and **Thursday, February 23, 2006** for the second round.

Applicants are encouraged to submit the NOI at any time in advance of the NOI deadlines. The flexible NOI process is intended to accommodate scheduling and to provide additional time for application preparation.

The NOI provides essential information about the project and confirms its consistency with HDSP eligibility requirements. HDSP staff will review NOIs, and an initial informational meeting for eligible projects will be scheduled with the community.

Following the initial meeting, the applicant community will be notified in writing if it will be invited to submit an application and if any additional information is needed. If, on the basis of the initial meeting, the community is not invited to submit an application, such notice will detail the reasons.

#### Other Application Requirements

Applications are due by 5:00 PM or the end of business day on **Thursday, November 17, 2005**, for the first round of FY 2006 funds, and **Thursday, April 13, 2006**, for the second round.

**Communities seeking FY 2006 HDSP funding must submit a FY 2006 Commonwealth Capital Application to the Office for Commonwealth Development no later than the HDSP application due date.**

HDSP funding is generally limited to projects containing fewer than eight units. NOTE: Housing projects serving persons with special needs, and single-room occupancy (SRO) projects may exceed the seven-unit limit. Project grant amounts are limited to a minimum of \$100,000, and a maximum of \$500,000, plus administrative costs.

Projects involving either the rehabilitation of existing housing units in downtown and village center buildings, or the conversion to housing of upper story space in downtown and village center buildings, as well as other adaptive reuse proposals, may consist of up to 10 units. Municipalities may apply for up to \$750,000 plus administrative costs for such projects.

For most projects, all state and federal grants combined for most projects shall not exceed 75 percent of total actual project costs. Please note that projects exclusively benefiting special-needs populations may qualify for up to 100 percent of total actual project costs. The Director of DHCD may waive the 75% criterion if circumstances so warrant. Prior consultation with HDSP staff is required prior to requesting a waiver.

Projects involving new construction shall be limited to infill housing development in downtown or village center locations.

Projects receiving funding from any source administered by DHCD's Division of Housing Development are excluded from applying to HDSP.

Projects other than SROs that include at least one (1) affordable three-bedroom unit, with no other unit smaller than one bedroom, will receive additional scoring consideration.

DHCD reserves the right to limit the number of applications a community may submit in one fiscal year.

#### **Housing Development Support Program (HDSP) Guidelines**

- The HDSP will provide \$5 million in FY 2006, to fund smaller projects in communities that address a variety of activities supporting the development, improvement and retention of public or private housing affordable to low- and moderate-income persons. Typical project activities include moderate or substantial rehabilitation of residential and mixed-use projects; reclamation of abandoned/foreclosed properties; elderly, transitional and special needs housing; and conversion to housing of obsolete and under-utilized structures such as vacant school and mill buildings. Funds can be used for acquisition, rehabilitation, site work and related infrastructure. Fifty-one percent (51%) of the units must be affordable to and occupied by low- and moderate- income households.

#### **Evaluation and Award Criteria**

All HDSP projects must comply with the low- and moderate-income National Objective. The requirements set forth in Section D: *APPLICANT/PROJECT THRESHOLDS* above will govern application review and awards.

Applications will be scored on a 100-point system as follows:

CRITERION	POINTS
Affordability	20
Readiness to Proceed	30
Development Team Capacity	10
Site and Design	25
Cost Effectiveness	15
<b>Total</b>	<b>100</b>

Applications must receive a minimum of 70 points to be eligible for funding. Criteria are described below.

The review and scoring of HDSP applications will be based on the materials submitted in the application as received on the deadline date, i.e., in an “as submitted” condition. Any information that is not included will be considered to be missing, and the application evaluated accordingly. DHCD reserves the right to adjust award amounts based on this condition.

**Sustainable Development Threshold** - In order to receive funding a project or activity must be consistent with the Sustainable Development principles. To meet this threshold, a project must either be consistent with the principle of Redevelop First or meet at least four (5) of the following principles: Concentrate development, Restore and Enhance the Environment, Be Fair, Conserve Resources, Expand Housing Opportunities, Provide Transportation Choice, Increase Job Opportunities, Foster Sustainable Development, and Plan Regionally. Additional guidance on this threshold may be found in Exhibit 6.

**Feasibility Threshold** - All projects must demonstrate financial feasibility, including adequate sources available for all costs based on reasonable cost estimates and financial need, and sufficient revenues to pay expenses based upon reasonable assumptions. Sources and uses of funds are limited to actual documented cash/expenditures specific to the proposed project. Project rents/sales prices must be within HDSP limits for affordable units and must be affordable to the household sizes that could reasonably be expected to occupy the units based on the number of bedrooms. Proposals must also demonstrate site control, major permit approval, and that a market exists for the type of unit proposed at the rent or sale price projected. Proposals that do not meet this feasibility threshold will not be further evaluated.

**Affordability** - All projects will be evaluated according to the affordability term to be secured by rental/resale restrictions proposed beyond the fifteen-year threshold, and the proposed percentage of affordable units available for low- and moderate-income occupancy. (20 points)

**Readiness To Proceed** - At a minimum, applicants must provide evidence that the project can be implemented and completed within the grant term. Projects will also be evaluated on status of financing commitments, site control, land use and zoning requirements, other necessary approvals and relevant factors. (30 points)

**Development Team Capacity** - The track record and levels of previous comparable work experience of the project developer, applicant community, development consultant, architect, management agent, and service provider, if applicable, will be reviewed and assessed, including quality of such work and the schedule of its delivery. DHCD may take into consideration an applicant’s qualifications, history, experience, and past performance (if any) in housing development with DHCD and other government and quasi-public agencies, as well as the technical assistance and support the community intends to provide to a less-experienced developer. (10 points)

**Site and Design** - The quality of the site will be reviewed based on desirability of location, revitalization potential, community character, convenience, adequacy of utilities and infrastructure, appropriateness of design for the site, and the absence of significant development constraints such as adverse environmental conditions. In addition, proposed projects will be reviewed on the basis of site conditions (e.g., ledge, grade, soil suitability), conservation of natural resources, condition of existing structure (including adaptability to proposed use), and neighborhood characteristics.

The proposed design will be reviewed for visual impact, overall plan layout, site design including provision for affordable three-bedroom units, appropriateness of building design and amenities, including suitability for target population, and adequacy of the proposed scope of work. (25 points)

**Cost Effectiveness** - Each applicant must demonstrate that it is requesting the minimum amount necessary to produce a viable project, taking into account all other potential sources of funding and all opportunities to reduce costs to reasonable and necessary levels. Evaluation under this criterion will include total development costs per unit, HDSP cost per unit, developer fees and overall soft costs as a percentage of total development cost, per unit operating costs, and reasonableness of costs when compared to similar projects. (15 points)

## 5. ECONOMIC DEVELOPMENT FUND

The Economic Development Fund offers financing solutions to meet the needs of businesses which retain and/or create low- and moderate-income jobs, strengthen the local tax base, support revitalization efforts and enhance the quality of life in the community. This economic development program is offered to local communities for industrial, commercial, service, real estate or mixed-use projects.

This program funds a broad range of economic and community development projects. Economic development projects may include assistance to non-profits and for-profits including small businesses and microenterprise; loans - or loan/grant combinations - for working capital, machinery and equipment, or other business improvements; pre-development studies; economic development planning projects; and public facilities, infrastructure, or public services supporting economic development. Funds can be used by a community or its subgrantee to assist economic development projects with planning, design and engineering, construction, rehabilitation, purchase of machinery and capital equipment, working capital, credit refinancing, incumbent workforce training, real estate acquisition, or public services programs.

In an effort to encourage mixed-use development, Economic Development Funds may be used in partnership with Housing Development Support Program funds, or other CDBG or non-CDBG funding sources, to undertake building improvements for the non-residential components of mixed-use projects. The allowable uses of the funds will be determined on a case-by-case basis, depending on the nature of the project and how it will comply with eligibility, national objective and other program requirements. In addition, the appropriate EDF program component - or financing mechanism - of the Economic Development Fund will also be determined after an analysis of the proposed project or program. Project proponents are encouraged to contact EDF staff as early as possible in the process. A community may receive no more than one Economic Development Fund grant award in any fiscal year, exclusive of direct assistance to individual businesses and other entities.

In order to receive funding a project or activity must be consistent with the Sustainable Development principles. To meet this threshold, a project must either be consistent with the principle of Redevelop First or meet at least five (5) of the following principles: Concentrate development, Restore and Enhance the Environment, Be Fair, Conserve Resources, Expand Housing Opportunities, Provide Transportation Choice, Increase Job Opportunities, Foster Sustainable Development, and Plan Regionally. Projects that involve new construction must be consistent with either Concentrate Development or Restore and Enhance the Environment. Additional guidance on this threshold may be found in Exhibit 6.

DHCD anticipates that \$x,xxx,xxx will be available to the Fund during FY 2006: \$x,xxx,xxx will be available from the FY 2006 CDBG allocation, which will be supplemented by an estimated \$xxx,xxx from revolving loan fund program income that DHCD expects to earn during the program year.

**Communities seeking FY 2006 EDF funding must submit a FY 2006 Commonwealth Capital Application to the Office for Commonwealth Development no later than the EDF application due date.**

#### **Grant Award Amounts and Requirements**

##### ***(a) Grants to Communities (formerly Ready Resource Fund)***

- Communities may apply for a wide range of eligible activities supporting economic development including, but not limited to: planning and pre-development studies; acquisition; micro and small business technical assistance programs and regional revolving loan funds; business technical assistance; public social services related to economic development; and infrastructure and public facilities projects in support of economic development.
- Communities may pass through grant funds to another organization/entity providing economic development loan funds, if the organization can demonstrate management capacity and has an established track record of providing/servicing such loans.
- Grants to communities are limited to a maximum of \$500,000. There is a \$50,000 cap, inclusive of planning-related general administration, on all planning grants in an Economic Development Fund application.
- Grants are based on an 18-month implementation cycle.
- Applications will be accepted on an ongoing basis throughout the year, based on funding availability.

##### ***(b) Loans to Individual Businesses and Other Entities (formerly Massachusetts Community Capital Fund)***

- DHCD may make a grant award to a municipality for the purpose of assisting a particular business or other eligible entity for real estate acquisition, new construction and rehabilitation, purchase of machinery and capital equipment, working capital, and credit refinancing. The municipality will then use the grant funds to offer a loan to that business or other entity at terms dictated by DHCD.
- Loans will fund up to one-third (1/3) of the total project costs.
- Financing to a given borrower will be limited to \$500,000 in a fiscal year.
- The minimum financial assistance to a given borrower will be \$100,000.
- The Director of the Department of Housing and Community Development may waive program guidelines to allow for:
  - awards greater than 1/3 of total project costs
  - financing above \$500,000
  - financing below \$100,000
- The applicant would need to demonstrate extraordinary circumstances and a strong rationale in order to receive any of these waivers. If the applicant anticipates the need for a waiver, it will be necessary to review all factors leading to this request with appropriate EDF staff.

- Program Income from the repayment of loans has been and/or will be deposited in a revolving loan fund account established under Community Development Block Grant regulations and remain with DHCD. The amount of program income available may vary if loans are either prepaid or the borrower defaults on payments.
- The amount requested/awarded may also include program administration costs to the community.
- Loan repayments will be made to a DHCD authorized agent, as specified in the community's contract with DHCD.
- Loan terms are flexible. The grant period will be up to three (3) years to allow for completion of job creation and/or retention goals.
- Applications will be accepted on an ongoing basis throughout the year.
- DHCD reserves the right to limit the number of applications a community may submit in one fiscal year.

*(c) Bridge Financing*

- Bridge Financing is a short-term loan – up to 18 months – that enables communities to borrow against the Commonwealth's annual CDBG allocation. DHCD will make up to \$x million available during FY 2006. Loans will be provided for housing and economic development projects that meet Massachusetts CDBG threshold requirements, national objective criteria, and project evaluation criteria.
- Bridge Financing loan amounts will range from \$250,000 to \$2,000,000. The loan amount will not be included in the \$1 million annual limit that grantees may receive from the Commonwealth's annual CDBG allocation.
- Projects must exhibit readiness to proceed, and meet all CDBG requirements. The short-term nature of the Bridge Financing loan limits the types of projects that will be financed.
- Each loan will be fully secured by an unconditional, irrevocable line of credit from a commercial lending institution for the full amount of the loan principal and interest. The line of credit shall be provided by the end-recipient of the CDBG Bridge Financing funds, naming the Massachusetts Department of Housing and Community Development as beneficiary/payee. In addition, the line of credit shall be unconditionally available for drawdown by DHCD in the amount of any shortfall within 30 days of the date that the loan fails to meet the agreed repayment schedule, or upon failure of the grantee or borrower to comply with other specified terms and conditions of the loan agreement.

**Evaluation and Award Criteria for Grants to Communities, Loans to Individual Businesses, and Bridge Financing**

EDF applications will be evaluated according to a two-stage process, which consists of (1) completion of an Application Information Form (AIF) and initial meeting and (2) the application.

- (1) AIF/Initial Meeting - The applicant must submit an Application Information Form (AIF) before DHCD will consider an EDF application. Upon receipt of the AIF, CDBG staff will schedule an initial informational meeting between program staff, and representative(s) of the municipal government to determine if the proposed project meets basic program requirements. If the EDF project will be a loan to an individual business or other entity, an initial meeting may include that business or entity, which will also submit basic financial and business information with the AIF for preliminary EDF staff screening.

Following the initial meeting, the applicant community will be notified in writing of the status of its EDF proposal. If the proposed project(s) appears likely to meet all program requirements, and funding remains available, then the community will be invited to submit a full application. If the proposed project(s) is(are) unlikely to meet program requirements, the community may reformulate the project(s) to address identified inconsistencies or deficiencies, and request another meeting. In no case will more than one revision be considered for a proposed project.

- (2) Application - If the proposed project is considered by program staff to be consistent with program requirements, and likely to meet the threshold criteria discussed in Section D: *APPLICANT/PROJECT THRESHOLDS* above, CDBG staff will invite the community to submit an application. If the applicant does not submit an application within three (3) months of the date of the invitation letter, it will be required to submit another AIF and repeat the two-step application process in order for DHCD to further consider the proposed project.

Applications will be reviewed for completeness, documentation of application / project thresholds, and responses to project-specific questions and comments (project conditions) included in DHCD's letter of invitation. To be considered for funding, a proposed activity must meet all thresholds, and must address all project conditions to the satisfaction of DHCD. In the event there are insufficient funds for all eligible applications, DHCD reserves the right to consider EDF applications out of order of receipt based upon a review of the number of jobs to be created or retained, the impact of a project on the local tax base, such as increase in tax revenues, sudden job loss, levels of matching or leveraged funds, or other compelling circumstances.

Review of applications for loans to individual businesses or other entities will also include:

- **Credit quality** - Evaluation factors include viability of the business or development project, ability to generate cash flow to service debt, and availability of collateral to secure the loan.
- **Financial need for CDBG funds**, in accordance with underwriting guidelines established by the US Department of Housing and Urban Development and state policies.

#### *(d) Section 108 Loan Loan Guarantees*

##### **Description**

Section 108 Loan Guarantees allow eligible communities to access federal loan funds for the purpose of aiding revenue-producing development activities. The program provides communities with a source of loan financing for community and economic development efforts involving industrial, service, commercial real estate, and housing or mixed-use projects. Funding is provided to the community to loan to the business or other entity.

The Commonwealth guarantees repayment of the HUD loan, and pledges its future CDBG allocation as collateral. Actual funding will be provided through the sale of notes by the federal Department of Housing and Urban Development.

This year the Commonwealth will pledge up to \$20 million in future CDBG allocations in support of these eligible activities.

##### **Grant Award Amounts and Requirements**

- The minimum award is \$500,000 and the maximum is \$5 million. The loan amount will not be included in the \$1 million annual limit that grantees may receive from the Commonwealth's annual CDBG allocation.

- In general, awards from the Section 108 Loan cannot exceed 40% of the total project costs. However, DHCD will consider guaranteeing public infrastructure projects to a percentage greater than 40% on a case by case basis;
- DHCD is willing to consider phased projects, with the caveat that the time frame for full implementation is a maximum of five years or less;
- DHCD or HUD may disapprove applications, or approve a reduced guarantee or approve the request with conditions, such as but not limited to additional collateral and guarantees depending on the structure of the proposal; and
- Loan repayments will be made according to federal regulations, paid to the state on the basis of an agreement between the state (DHCD) and the grantee.

## Section 108 Guidelines

Eligible activities include:

- Acquisition of developed or undeveloped property;
- Rehabilitation of real property;
- Acquisition, construction, reconstruction, rehabilitation or installation of commercial or industrial buildings, structures, and other real property equipment and improvements;
- Relocation payments and other relocation assistance;
- Site clearance and site preparation and construction of public improvements; and
- Payment of issuance, underwriting, servicing and other private sector financing costs.

## Evaluation and Award Criteria

*Applicants must contact DHCD prior to submission of an application.* A two-stage process for evaluating potential applications is in effect, consisting of a preliminary screening and a formal application. Applicants also need to review the evaluation criteria and the review process information found in the Economic Development Fund/Section 108 application. Applications will be reviewed on a first come, first served basis, provided that threshold criteria are met and funds are available.

Successful applicants will receive project money from HUD, but the Commonwealth guarantees the repayment of the loan. The Commonwealth pledges its future CDBG grant funds to repay the federal government should a non-entitlement recipient of a Section 108 Loan default. DHCD will not pledge other collateral of the Commonwealth in support of proposals. Any additional security required by HUD must come from another source. The state has developed an application that provides for thorough review including the following criteria:

- activity must meet a CDBG National Objective, and Public Benefit standards in the case of economic development projects;
- project goals and activities are clearly defined;
- local efforts are consistent with state's economic development agenda;
- creation of public benefits;
- if the public benefit is jobs, the total number and quality of jobs created or retained;



- viability and feasibility of the proposed project;
- revenue projections and firm financial information of the proposed activity;
- revenue source for repayment of the loan must be clearly described and sufficient collateral available to secure the loan, appropriate to the level of exposure and risk;
- application must clearly demonstrate efforts to find conventional financing;
- the amount of financing required and information on any program income that the activity may generate must be included in the application;
- effective and capable management of the proposed activity;
- analysis of primary and secondary economic and fiscal impacts of the proposed activity;
- local community development needs and distress factors as demonstrated by a narrative or a variety of demographic statistics.

## Section 108 Loan Activities

DHCD has one application that is currently under review by DHCD and by HUD. If the project sponsor proceeds, and the application is successful, DHCD would commit to use a Section 108 Loan Guarantee to secure financing and guarantee loans for the following project during calendar year 2006:

Everett – \$1 million Section 108 loan for roadwork (right-of-way & construction) for the Norman St./Internet Dr. intersection and entryway into the Rivers Edge (previously Telecom City) project area. The debt service for years 1-8 will be funded with a \$1.2 million Brownfields Economic Development Initiative (BEDI) grant.

In addition, DHCD and HUD approved the following Section 108 Loan Guarantee project in 2003.

North Adams - Massachusetts Museum of Contemporary Art (MASS MoCA): Approximate \$4.3 million loan to partially fund real estate development by the non-profit museum foundation. The \$13 million project involves rehabilitation of two buildings. This project is Phase II of the City and MASS MoCA's revitalization plan for one of North Adams' most distressed neighborhoods.

## Loan Default

In the event of loan default, DHCD must be prepared to repay the Section 108 loans to HUD out of the Commonwealth's annual CDBG allocation. In addition to a pledge of future CDBG funds, collateral is provided from other sources, and the two noted above will be heavily collateralized with non-CDBG resources. The possibility exists, however, that the loans default and will need to be repaid from the annual allocation. In FY 2006 the potential liability, or repayment total, could be up to \$370,000 in the event of loan default.

If the loans do not default, or if there is default but the collateral is sufficient to cover the loan repayment (or a portion thereof), then DHCD will reallocate all (or part) of the budgeted default amount among other program components.

Please note that DHCD and HUD scrutinize Section 108 projects very carefully since any loan defaults are guaranteed by future CDBG funds and therefore could have a significant and deleterious effect on future year applications of other cities and towns.

## 6. RESERVES

An initial allocation of \$600,000 will be budgeted to the Reserves component. Consistent with *Section E. ALLOCATION OF CDBG FUNDS TO THE COMMONWEALTH*, funds may be recaptured by or returned to DHCD

at any time during the program year, or reallocated to and from program components including the Reserves component. This may result in an increase or decrease to the initial allocation.

On occasion applications, or portions thereof, that were not funded during the competitive process may be considered by the Director of DHCD to be particularly worthy, innovative, or address an overarching local, regional, or statewide need. Innovative projects may also include those that would not normally be funded through a competitive round and are unlike projects previously funded by DHCD. The maximum grant amount for an “innovative” project is \$400,000.

At the Director’s discretion, funds may be made available for projects that address these needs, are consistent with the Administration’s goals and priorities, or which are deemed innovative by DHCD. In addition, Reserves may be used to fund projects that were not funded due to administrative error.

Projects funded under Reserves must meet CDBG national objective and eligibility requirements, rules and regulations, feasibility, and project packet score thresholds. Awards will be made solely at the discretion of the Director.

## **7. ADMINISTRATION AND TECHNICAL ASSISTANCE BY DHCD**

The Commonwealth of Massachusetts uses CDBG funds for administrative costs incurred by DHCD during the operation of the Massachusetts CDBG Program. As allowed by federal statute, this amount will equal two percent (2%) of the entire annual grant allocation, plus \$100,000.

An additional one percent (1%) of the allocation will be used for direct technical assistance to eligible municipalities for guidance relating to housing, economic development, including downtown revitalization, community development strategy and plan preparation and use, technical assistance training for non-entitlement communities, and additional assistance determined necessary during the program year.

During this fiscal year DHCD will continue to support and upgrade grantees’ software and reporting systems. Technical assistance will be available to several communities for capacity building for downtown revitalization. Assistance will be provided to communities with both deteriorated areas and with downtown organizations that have not been previously supported by DHCD.

In addition, two percent (2%) of program income generated by state CDBG grantees shall be returned to the Mass CDBG Program on a bi-annual basis.

## DRAFT ONE-YEAR ACTION PLAN FOR FEDERAL FISCAL YEAR 2006

### EXHIBITS

1. LIST OF ENTITLEMENT COMMUNITIES IN MASSACHUSETTS
2. MUNICIPALITIES NOT ELIGIBLE TO APPLY TO COMMUNITY DEVELOPMENT FUND (CDF) I AND II IN FY 2006
3. COMMUNITY WIDE NEEDS SCORES AND PROGRAM ELIGIBILITY
4. COMMUNITY-WIDE NEEDS INDICATORS
5. SUSTAINABLE DEVELOPMENT PRINCIPLES
6. GUIDANCE ON MEETING THE SUSTAINABLE DEVELOPMENT THRESHOLD

## EXHIBIT 1

### LIST OF ENTITLEMENT COMMUNITIES IN MASSACHUSETTS as of Federal Fiscal Year 2006

1.	ARLINGTON	19.	MALDEN
2.	ATTLEBORO	20.	MEDFORD
3.	BARNSTABLE	21.	NEW BEDFORD
4.	BOSTON	22.	NEWTON
5.	BROCKTON	23.	NORTHAMPTON
6.	BROOKLINE	24.	PITTSFIELD
7.	CAMBRIDGE	25.	PLYMOUTH
8.	CHICOPEE	26.	QUINCY
9.	FALL RIVER	27.	SALEM
10.	FITCHBURG	28.	SOMERVILLE
11.	FRAMINGHAM	29.	SPRINGFIELD
12.	GLOUCESTER	30.	TAUNTON
13.	HAVERHILL	31.	WALTHAM
14.	HOLYOKE	32.	WESTFIELD
15.	LAWRENCE	33.	WEYMOUTH
16.	LEOMINSTER	34.	WORCESTER
17.	LOWELL	35.	YARMOUTH
18.	LYNN		

## EXHIBIT 2

### MUNICIPALITIES NOT ELIGIBLE TO APPLY TO COMMUNITY DEVELOPMENT FUND (CDF) I AND II IN FY 2006

Communities awarded CDF II Grants in FY 2004 or FY 2005 are prohibited from applying for CDF I or II grants in FY 2006, except in the following instances:

- A Community Development Fund II eligible community that has not received a CDF II grant award on its own but which has participated with a Community Development Fund I or Mini-Entitlement community for **housing activities** can apply to CDF II.
- A Community Development Fund II eligible community that has received a CDF II grant award in FY 2004 or FY 2005 on its own may be a participant with a Community Development Fund I, Community Development Fund II or Mini-Entitlement community for **housing activities only**.
- A CDF II eligible community that has successfully administered an FY 2004 or FY 2005 housing related grant on its own may be eligible to be a single or lead applicant for **housing activities only**.

DHCD has identified the following communities as ineligible applicants (except as noted above) as a single community for CDF I or CDF II in FY2006; they can apply again for CDF funding in the Fiscal Year noted in parentheses:

### EXHIBIT 3

#### PROGRAM ELIGIBILITY AND COMMUNITY-WIDE NEEDS SCORES

	FY2006 CWN Score	Eligible for CDF I	Eligible for CDF II	FY2006 Mini- Entitlement	Not eligible due to prior year funding
Abington town	24		x		
Acton town	14		x		
Acushnet town	24		x		
Adams town	30	x			
Agawam town	24		x		
Alford town	18		x		
Amesbury town	28			x	
Amherst town	28			x	
Andover town	18		x		
Aquinnah town	32	x			
Ashburnham town	21		x		
Ashby town	21		x		
Ashfield town	18		x		
Ashland town	20		x		
Athol town	30	x			
Auburn town	24		x		
Avon town	28	x			
Ayer town	32	x			
Barre town	26	x			
Becket town	25	x			
Bedford town	14		x		
Belchertown town	24		x		
Bellingham town	20		x		
Belmont town	21		x		
Berkley town	17		x		
Berlin town	28	x			
Bernardston town	24		x		
Beverly city	25	x			
Billerica town	22		x		
Blackstone town	26	x			
Blandford town	20		x		
Bolton town	17		x		
Bourne town	30	x			
Boxborough town	12		x		
Boxford town	12		x		
Boylston town	18		x		
Braintree town	25	x			

	FY2006 CWN Score	Eligible for CDF I	Eligible for CDF II	FY2006 Mini- Entitlement	Not eligible due to prior year funding
Brewster town	24		x		
Bridgewater town	18		x		
Brimfield town	25	x			
Brookfield town	30	x			
Buckland	23		x		
Burlington town	20		x		
Canton town	20		x		
Carlisle town	14		x		
Carver town	24		x		
Charlemont town	31	x			
Charlton town	19		x		
Chatham town	27	x			
Chelmsford town	20		x		
Chelsea city	32			x	
Cheshire town	23		x		
Chester town	32	x			
Chesterfield town	31	x			
Chilmark town	25	x			
Clarksburg town	23		x		
Clinton town	31	x			
Cohasset town	18		x		
Colrain town	30	x			
Concord town	15		x		
Conway town	21		x		
Cummington town	30	x			
Dalton town	23		x		
Danvers town	26	x			
Dartmouth town	25	x			
Dedham town	26	x			
Deerfield town	18		x		
Dennis town	30	x			
Dighton town	23		x		
Douglas town	20		x		
Dover town	13		x		
Dracut town	24		x		
Dudley town	24		x		
Dunstable town	17		x		
Duxbury town	14		x		
East Bridgewater town	24		x		
East Brookfield town	25	x			
East Longmeadow town	21		x		

	FY2006 CWN Score	Eligible for CDF I	Eligible for CDF II	FY2006 Mini- Entitlement	Not eligible due to prior year funding
Eastham town	30	x			
Easthampton town	24		x		
Easton town	18		x		
Edgartown town	28	x			
Egremont town	20		x		
Erving town	30	x			
Essex town	28	x			
Everett city	35			x	
Fairhaven town	30			x	
Falmouth town	25	x			
Florida town	31	x			
Foxborough town	20		x		
Franklin town	20		x		
Freetown town	19		x		
Gardner city	29			x	
Georgetown town	20		x		
Gill town	23		x		
Goshen town	24		x		
Gosnold town	32	x			
Grafton town	24		x		
Granby town	20		x		
Granville town	23		x		
Great Barrington town	26	x			
Greenfield town	32			x	
Groton town	17		x		
Groveland town	21		x		
Hadley town	25	x			
Halifax town	25	x			
Hamilton town	21		x		
Hampden town	18		x		
Hancock town	23		x		
Hanover town	20		x		
Hanson town	20		x		
Hardwick town	25	x			
Harvard town	15		x		
Harwich town	31	x			
Hatfield town	24		x		
Hawley town	33	x			
Heath town	25	x			
Hingham town	15		x		
Hinsdale town	29	x			



	FY2006 CWN Score	Eligible for CDF I	Eligible for CDF II	FY2006 Mini- Entitlement	Not eligible due to prior year funding
Holbrook town	26	x			
Holden town	18		x		
Holland town	25	x			
Holliston town	20		x		
Hopedale town	25	x			
Hopkinton town	14		x		
Hubbardston town	17		x		
Hudson town	24		x		
Hull town	29	x			
Huntington town	25	x			
Ipswich town	25	x			
Kingston town	27	x			
Lakeville town	20		x		
Lancaster town	27	x			
Lanesborough town	26	x			
Lee town	31	x			
Leicester town	22		x		
Lenox town	29	x			
Leverett town	20		x		
Lexington town	17		x		
Leyden town	18		x		
Lincoln town	19		x		
Littleton town	20		x		
Longmeadow town	15		x		
Ludlow town	24		x		
Lunenburg town	19		x		
Lynnfield town	15		x		
Manchester-by-the-Sea town	21		x		
Mansfield town	20		x		
Marblehead town	18		x		
Marion town	21		x		
Marlborough city	25	x			
Marshfield town	20		x		
Mashpee town	26	x			
Mattapoisett town	20		x		
Maynard town	25	x			
Medfield town	13		x		
Medway town	19		x		
Melrose city	20		x		
Mendon town	20		x		
Merrimac town	25	x			

	FY2006 CWN Score	Eligible for CDF I	Eligible for CDF II	FY2006 Mini- Entitlement	Not eligible due to prior year funding
Methuen town	30			X	
Middleborough town	26	x			
Middlefield town	28	x			
Middleton town	21		x		
Milford town	31			X	
Millbury town	25	x			
Millis town	20		x		
Millville town	25	x			
Milton town	21		x		
Monroe town	35	x			
Monson town	20		x		
Montague town	31	x			
Monterey town	25	x			
Montgomery town	18		x		
Mount Washington town	20		x		
Nahant town	20		x		
Nantucket town	31	x			
Natick town	20		x		
Needham town	15		x		
New Ashford town	15		x		
New Braintree town	22		x		
New Marlborough town	25	x			
New Salem town	23		x		
Newbury town	18		x		
Newburyport city	26	x			
Norfolk town	14		x		
North Adams city	31			X	
North Andover town	20		x		
North Attleborough town	23		x		
North Brookfield town	29	x			
North Reading town	20		x		
Northborough town	20		x		
Northbridge town	25	x			
Northfield town	24		x		
Norton town	20		x		
Norwell town	19		x		
Norwood town	25	x			
Oak Bluffs town	33	x			
Oakham town	18		x		
Orange town	29	x			
Orleans town	25	x			

	FY2006 CWN Score	Eligible for CDF I	Eligible for CDF II	FY2006 Mini- Entitlement	Not eligible due to prior year funding
Otis town	27	x			
Oxford town	25	x			
Palmer town	30	x			
Paxton town	18		x		
Peabody city	25	x			
Pelham town	18		x		
Pembroke town	20		x		
Pepperell town	17		x		
Peru town	25	x			
Petersham town	27	x			
Phillipston town	25	x			
Plainfield town	32	x			
Plainville town	24		x		
Plympton town	21		x		
Princeton town	14		x		
Provincetown town	35	x			
Randolph town	25	x			
Raynham town	18		x		
Reading town	19		x		
Rehoboth town	20		x		
Revere city	32			x	
Richmond town	18		x		
Rochester town	18		x		
Rockland town	30			x	
Rockport town	29	x			
Rowe town	27	x			
Rowley town	20		x		
Royalston town	29	x			
Russell town	29	x			
Rutland town	18		x		
Salisbury town	31	x			
Sandisfield town	21		x		
Sandwich town	20		x		
Saugus town	26	x			
Savoy town	29	x			
Scituate town	21		x		
Seekonk town	26	x			
Sharon town	14		x		
Sheffield town	25	x			
Shelburne town	31	x			
Sherborn town	14		x		

	FY2006 CWN Score	Eligible for CDF I	Eligible for CDF II	FY2006 Mini- Entitlement	Not eligible due to prior year funding
Shirley town	24		x		
Shrewsbury town	18		x		
Shutesbury town	20		x		
Somerset town	26	x			
South Hadley town	23		x		
Southampton town	18		x		
Southborough town	16		x		
Southbridge town	30			x	
Southwick town	20		x		
Spencer town	29	x			
Sterling town	14		x		
Stockbridge town	24		x		
Stoneham town	25	x			
Stoughton town	25	x			
Stow town	16		x		
Sturbridge town	24		x		
Sudbury town	14		x		
Sunderland town	29	x			
Sutton town	18		x		
Swampscott town	21		x		
Swansea town	25	x			
Templeton town	25	x			
Tewksbury town	19		x		
Tisbury town	33	x			
Tolland town	23		x		
Topsfield town	13		x		
Townsend town	20		x		
Truro town	32	x			
Tyngsborough town	19		x		
Tyringham town	13		x		
Upton town	19		x		
Uxbridge town	21		x		
Wakefield town	21		x		
Wales town	29	x			
Walpole town	20		x		
Ware town	30	x			
Wareham town	31			x	
Warren town	30	x			
Warwick town	30	x			
Washington town	22		x		
Watertown town	25	x			

	FY2006 CWN Score	Eligible for CDF I	Eligible for CDF II	FY2006 Mini- Entitlement	Not eligible due to prior year funding
Wayland town	14		x		
Webster town	29			x	
Wellesley town	14		x		
Wellfleet town	28	x			
Wendell town	23		x		
Wenham town	16		x		
West Boylston town	24		x		
West Bridgewater town	28	x			
West Brookfield town	26	x			
West Newbury town	14		x		
West Springfield town	32			x	
West Stockbridge town	25	x			
West Tisbury town	21		x		
Westborough town	17		x		
Westford town	14		x		
Westhampton town	19		x		
Westminster town	19		x		
Weston town	15		x		
Westport town	25	x			
Westwood town	16		x		
Whately town	21		x		
Whitman town	25	x			
Wilbraham town	20		x		
Williamsburg town	26	x			
Williamstown town	23		x		
Wilmington town	21		x		
Winchendon town	29	x			
Winchester town	15		x		
Windsor town	24		x		
Winthrop town	25	x			
Woburn city	26	x			
Worthington town	25	x			
Wrentham town	14		x		

# EXHIBIT 4

## COMMUNITY-WIDE NEEDS INDICATORS

MUNICIPALITY: COUNTY:		2000(02) Raw Number	Percent	Quartile	Maximum Possible Points	Score
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### A. INDIVIDUAL FACTORS

21.0	0.00
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Low/moderate income persons (US Census, 2000 universe: 0).....	0	0.0	0	17.5	0.00
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Unemployment rate (average annual 2002) .....	0	0.0	0	3.5	0.00
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### B. COMMUNITY FACTORS

14	0.00
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% households w/housing cost burden>=30% of household income (US Census, 2000 universe: 0)	0	0.0	0	5.25	0.00
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Total levy per capita, % of per capita income (2002 DOR, US Census estimate, 2000 US Census)	\$ 0	0.0	0	5.25	0.00
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Units built prior to 1940, % of total units (US Census 2000 universe: 0) .....	0	0.0	0	3.5	0.00
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A and B

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# Commonwealth of Massachusetts

## OFFICE FOR COMMONWEALTH DEVELOPMENT

Mitt Romney, Governor ♦ Kerry Healey, Lt. Governor ♦ Douglas I. Foy, Chief

### Enhancing Our Commonwealth

The Office for Commonwealth Development is dedicated to careful stewardship of our natural resources, wise investment in public infrastructure and the expansion of opportunity for all our residents. The beauty and bounty of Massachusetts are the result of decisions made in past generations; our choices today must create value and opportunity for all our residents now and in the future. To improve the health and wealth of all our communities, we must draw together the creativity of our people, the vitality of markets, the resources of government, and the natural treasures we have inherited to design and build communities of diversity and delight for Massachusetts.

The quality of life in all of Massachusetts depends upon growth decisions made in each unique community. Planning for growth in a vibrant Commonwealth means working with those communities to integrate the diverse needs for housing, jobs, services, transportation and historic, cultural, and natural resources. In order to achieve these objectives, the Office for Commonwealth Development will:

- Encourage the coordination and cooperation of all agencies.
- Invest public funds wisely in smart growth and equitable development.
- Give priority to investments that will deliver living wage jobs, transit access, housing, open space, and community-serving enterprises.
- Be guided by the following principles:
  1. **Redevelop first.** Support the revitalization of town centers and neighborhoods. Encourage reuse and rehabilitation of existing infrastructure rather than the construction of new infrastructure in undeveloped areas. Give preference to redevelopment of brownfields, preservation and reuse of historic structures and rehabilitation of existing housing and schools.
  2. **Concentrate development.** Support development that is compact, conserves land, integrates uses, and fosters a sense of place. Create walkable districts mixing commercial, civic, cultural, educational and recreational activities with open space and housing for diverse communities.
  3. **Be fair.** Promote equitable sharing of the benefits and burdens of development. Provide technical and strategic support for inclusive community planning to ensure

social, economic, and environmental justice. Make regulatory and permitting processes for development clear, transparent, cost-effective, and oriented to encourage smart growth and regional equity.

4. **Restore and enhance the environment.** Expand land and water conservation. Protect and restore environmentally sensitive lands, natural resources, wildlife habitats, and cultural and historic landscapes. Increase the quantity, quality and accessibility of open space. Preserve critical habitat and bio-diversity. Promote developments that respect and enhance the state's natural resources.
5. **Conserve natural resources.** Increase our supply of renewable energy and reduce waste of water, energy and materials. Lead by example and support conservation strategies, clean power and innovative industries. Construct and promote buildings and infrastructure that use land, energy, water and materials efficiently.
6. **Expand housing opportunities.** Support the construction and rehabilitation of housing to meet the needs of people of all abilities, income levels and household types. Coordinate the provision of housing with the location of jobs, transit and services. Foster the development of housing, particularly multifamily, that is compatible with a community's character and vision.
7. **Provide transportation choice.** Increase access to transportation options, in all communities, including land and water based public transit, bicycling, and walking. Invest strategically in transportation infrastructure to encourage smart growth. Locate new development where a variety of transportation modes can be made available.
8. **Increase job opportunities.** Attract businesses to locations near housing, infrastructure, water, and transportation options. Expand access to educational and entrepreneurial opportunities. Support the growth of new and existing local businesses.
9. **Foster sustainable businesses.** Strengthen sustainable natural resource-based businesses, including agriculture, forestry and fisheries. Strengthen sustainable businesses. Support economic development in industry clusters consistent with regional and local character. Maintain reliable and affordable energy sources and reduce dependence on imported fossil fuels.
10. **Plan regionally.** Support the development and implementation of local and regional plans that have broad public support and are consistent with these principles. Foster development projects, land and water conservation, transportation and housing that have a regional or multi-community benefit. Consider the long-term costs and benefits to the larger commonwealth.



## EXHIBIT 6

### GUIDANCE ON MEETING THE SUSTAINABLE DEVELOPMENT THRESHOLD